

APPENDIX A to Whatcom County's
Response to Motion for Reconsideration

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Report: Calif. overcharged for power

ENERGY: Cost to state was \$6.2 billion, economist says.

The Associated Press

SACRAMENTO -- Electricity wholesalers have overcharged California more than \$6.2 billion by manipulating the energy market, according to a report by an economist working for power grid managers.

The Independent System Operator planned to file the findings with federal regulators Thursday, and ask for a refund, said ISO spokesman Patrick Dorinson.

In a related development, the state auditor said Thursday that the state's 1996 deregulation law encouraged both buyers and sellers of electricity to "manipulate wholesale prices to their advantage" by underestimating both supply and demand.

The auditor's report lays out what it calls "a complex combination" of deficiencies and misjudgments it says led to the state's power problems.

The ISO's filing came a day after the state controller complained that a relentless energy crisis is jeopardizing California's financial future.

Since May, the wholesale companies manipulated the market by bidding at excessive prices, effectively withholding supplies or by not bidding at all when they had generation capability available, according to the ISO study.

ISO Director of Market Analysis Anjali Sheffrin presented the findings at an energy conference at the University of California, Berkeley, last week.

The companies have denied overcharging California and have said they expect the Federal Energy Regulatory Commission will determine their prices were justified.

The ISO study covered five major in-state power suppliers -- Reliant, Dynegy, Williams/AES, Duke Energy and Mirant, as well as 16 power importers. All deliver power to customers of Southern California Edison, PG&E and San Diego Gas & Electric Co., the state's three largest investor-owned utilities.

"All overcharged, but some excessively and some by moderate amounts," said ISO's Sheffrin.

According to the report, the overcharging took place beginning last May, when the energy crisis began, and continued through last month.

During that time, according to the report, energy suppliers commonly offered their electricity at twice the amount it cost them to produce.